

Confidential.

Decided at Cabinet Conference of 12th August 1932.

Concerning Aviation in Manchuria.

The Imperial government, recognizing the urgent necessity of acquiring aviation rights in Manchuria and Mongolia, decided in the Cabinet conference of 18th November 1930, to open negotiations with the Chinese authorities concerning this matter. With this decision, we repeatedly negotiated with the Chang Hseuh-liang regime concerning the organization of an aviation company under joint management of Japan and Manchuria, but it could not be realized and the matter was left untouched till the Manchurian Incident broke out last September. After the outbreak of the Incident, the Imperial Government decided in the Cabinet conference of 11th November last year to make the Japan Air Transportation Company temporarily open the regular Changchung-Dairen-Mukden air route and the Seoul-Pinghsiang-Mukden route, on the pretext of military communication and for the purpose of establishing the foundation for acquiring aviation rights in Manchuria and Mongolia and at the same time insuring communications between Kwantung Army units. Since then, according to the above decision, we have been meeting the immediate demands under the pretext of military air service, but today when the surrounding situations have developed favorably for us with the establishment of Manchukuo, we believe it is important that we turn the above military air service into a standing business organ and give it permanency. Furthermore, it is needless to mention that the management of aviation in Manchuria and Mongolia should be carried out in the best possible way with a view of contributing to the execution of the Imperial aviation policy, namely, the accomplishment of European-Asiatic air line, the development of industries and the preparation of acquiring aviation rights in China proper, etc. However, at the same time, considering the special positions of and situations in Manchuria and Mongolia, it shall be our greatest object to let the plan meet the demand of national defense. Therefore, while it is absolutely necessary for the above business organ to be administered under the perfect leadership and supervision of the Imperial Government, on the other hand, in view of our relations toward both Manchukuo and other nations, it will be proper for us to make this organ a joint company of Japanese and Manchurians, a corporation in Manchukuo and the substantial leadership and supervision in our hands. Moreover, from its original mission, the aviation business will be expected to expand in the future, but as it is necessary to realize it as easily and speedily as possible, we shall at this time, open business with subsidies supplied for the time being by the Manchurian Government and the South Manchurian Railway Company, and expect to take the following steps.

Organization Program.

The fundamental policy for the institution and management of the aviation enterprise in Manchuria is to meet the demand of national defense of our Empire and, at the same time, to contribute to the advance of our nation's aviation enterprise and the economical development of Manchukuo.

1. As for the aviation enterprise in Manchukuo, an independent Japan-Manchuria joint-stock company (hereafter termed provisionally, the Manchurian Aviation Company) will be organized, which will manage provisions and operations.
2. The capital of the Manchurian Aviation Company will be, for the time being, 3,500,000 yen and the amount of expected investment will be divided as follows. The company will not pay dividends for some time.

The Manchukuo Government	¥ 1,000,000
(Flying fields and intervening landing grounds, etc. in lieu of cash investments,).	
The South Manchurian Railway Co.	¥ 1,500,000
General Public	¥ 1,000,000
3. A subsidy will be required by the Manchurian Aviation Company in order to fill up the deficiency of its income. The disbursement of subsidy will be expected to divide as follows.

The Manchukuo Government	
1932	¥ 400,000 in silver
1933	1,000,000 in silver
1934	1,400,000 in silver
From 1935 on	1,700,000 in silver.

The South Manchurian Railway Co.	
1932	¥ 500,000
¥ 500,000 every year for 9 years from 1936 to 1941, if we cannot find any other way.	
4. The leadership and supervision of the Manchurian Aviation Company, and furthermore the right of its management in time of emergency shall be entrusted to the supreme organ of our Empire, residing in Manchukuo (transitionally, to the Commander of the Kwantung Army).
5. The Manchurian Aviation Company's projected air routes and its construction program is as you will see in the annexed map.
6. The Manchurian Aviation Company will use the former Mukden Aeronautical Arsenal for repair of airplanes, manufacture and construction of their bodies.